THRIVE BATON ROUGE

Baton Rouge, Louisiana

FINANCIAL REPORT

June 30, 2015

THRIVE BATON ROUGE
Baton Rouge, Louisiana

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FAULK & WINKLER LLC
Certified Public Accountants • Business Advisors

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Thrive Baton Rouge
Baton Rouge, Louisiana

We have audited the accompanying financial statements of **THRIVE BATON ROUGE** (a non-profit organization) (the School), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **THRIVE BATON ROUGE** as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the School's 2014 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated December 29, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Functional Expenses on page 11 and the Schedule of Compensation, Benefits, and Other Payments to Agency Head on page 12 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated December 29, 2015, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Faulk & Winkler, LLC

Certified Public Accountants

Baton Rouge, Louisiana
December 29, 2015

THRIVE BATON ROUGE

Baton Rouge, Louisiana

STATEMENT OF FINANCIAL POSITION

June 30, 2015
(with comparative amounts for 2014)

ASSETS

	2015	2014
CURRENT ASSETS		
Cash	$ 101,456	$ 41,781
Receivables - net	184,035	64,595
Prepaid expenses	34,440	15,205
Total current assets	319,931	121,581
DUE FROM THRIVE FOUNDATION, a related organization	500,100	-
PROPERTY, net	1,367,621	1,277,466
Total assets	$ 2,187,652	$ 1,399,047

LIABILITIES AND NET ASSETS

	2015	2014
CURRENT LIABILITIES		
Accounts payable	$ 53,548	$ 37,670
Accrued expenses	42,731	32,070
Line of credit	50,000	135,000
Note payable	282,044	500,000
Deferred revenue	400,000	-
Total current liabilities	828,323	704,740
DEFERRED REVENUE, long-term	-	200,000
NET ASSETS		
Unrestricted	1,359,329	494,307
Total liabilities and net assets	$ 2,187,652	$ 1,399,047

The accompanying notes to financial statements
are an integral part of this statement.

THRIVE BATON ROUGE

Baton Rouge, Louisiana

STATEMENT OF ACTIVITIES

For the year ended June 30, 2015
(with comparative amounts for 2014)

	Unrestricted	Temporarily Restricted	Totals 2015	Totals 2014
REVENUES AND SUPPORT				
Grants:				
MFP	$ 890,132	$ -	$ 890,132	$ 550,519
Federal grants	100,647	-	100,647	59,878
State and local grants	1,153,850	-	1,153,850	46,150
Contributions:				
School	54,391	-	54,391	325,000
Residential	476,032	300,000	776,032	435,343
Food Service	222,268	-	222,268	-
Interest	-	-	-	1,104
Total revenues and support	2,897,320	300,000	3,197,320	1,417,994
Changes in net asset restrictions:				
Released from restrictions	300,000	(300,000)	-	-
Total revenues, support and restrictions	3,197,320	-	3,197,320	1,417,994
EXPENSES				
School activities:				
Instructional	940,543	-	940,543	467,715
Residential	995,642	-	995,642	463,946
Food service administration	209,749	-	209,749	-
General and administrative	186,364	-	186,364	303,238
Total expenses	2,332,298	-	2,332,298	1,234,899
Increase in net assets	865,022	-	865,022	183,095
NET ASSETS				
Beginning of year	494,307	-	494,307	311,212
End of year	$ 1,359,329	$ -	$ 1,359,329	$ 494,307

The accompanying notes to financial statements
are an integral part of this statement.

THRIVE BATON ROUGE

Baton Rouge, Louisiana

STATEMENT OF CASH FLOWS

For the year ended June 30, 2015
(with comparative amounts for 2014)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	$ 865,022	$ 183,095
Adjustments for non-cash items:		
Depreciation	33,763	22,556
Change in operating assets and liabilities:		
Increase in accounts receivable and prepaid expenses	(138,675)	(35,879)
Increase in due from Foundation	(500,100)	-
Increase in deferred revenue	200,000	200,000
Increase in accounts payable and other liabilities	26,539	21,805
Net cash provided by operating activities	486,549	391,577
CASH FLOWS FROM INVESTING ACTIVITIES		
Refund of deposit	-	20,000
Acquisition of property	(123,918)	(1,246,196)
Net cash used by investing activities	(123,918)	(1,226,196)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	150,100	135,000
Principal payments on line of credit	(235,100)	-
Proceeds from issuance of debt	300,000	500,000
Principal payments on note payable	(517,956)	-
Net cash (used) provided by financing activities	(302,956)	635,000
Net increase (decrease) increase in cash	59,675	(199,619)
CASH		
Beginning of year	41,781	241,400
End of year	$ 101,456	$ 41,781
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 22,956	$ 10,452

The accompanying notes to financial statements
are an integral part of this statement.

THRIVE BATON ROUGE

Baton Rouge, Louisiana

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Thrive Baton Rouge (the School) was incorporated on March 1, 2011, as a non-profit corporation under the laws of the State of Louisiana. The School operates under a contract with the East Baton Rouge Parish School System (EBRP) to operate a Type 1 charter school with a contract period of July 1, 2012 through June 30, 2017. The contract may be renewed for successive periods of ten (10) years subject to the review of EBRP of the School's operations and compliance with regulatory and contractual requirements. Thrive is a public, tuition free, charter boarding school for students in sixth through twelfth grade serving at-risk students from East Baton Rouge Parish. The School started its third year with approximately 80 sixth, seventh, and eighth grade students for the 2014-2015 school year.

Financial statement presentation

The School reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, which are described as follows:

Unrestricted Net Assets are net assets that are for general use and not subjected to restriction.

Temporarily Restricted Net Assets are net assets subject to donor-imposed stipulations that may or will be met by actions of the School and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets are net assets subject to donor-imposed stipulations that the School maintain the contribution permanently. The School did not have any permanently restricted net assets at June 30, 2015.

The statement of activities presents expenses of the School's operations functionally between program services, and general and administrative.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates are used primarily when accounting for depreciation and the allowance for doubtful accounts.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues

The School receives a large portion of its revenue from the Minimum Foundation Program (MFP) through the East Baton Rouge Parish School Board. The amount of MFP funding is based on an allocation of funds provided by the State of Louisiana and local taxes. The School also receives federal and private sector funding. Federal funds are through the Louisiana Department of Education or the East Baton Rouge Parish School Board. Private sector funding consists of donations from private foundations and individuals. Contributions are recorded at estimated fair value when the donor makes a pledge to give that is, in substance, an unconditional promise. The School does not recognize a conditional promise to give as revenue until the conditions upon which the promise depends are substantially met. A promise to give that calls for specific outcomes to be achieved is treated as a conditional promise to give. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the nature of donor restrictions. Substantially all revenues are unrestricted as to use.

Fair value financial instruments

The carrying value of cash, receivables, prepaid expenses, accounts payable, and accrued expenses approximates fair value due to the short-term maturity of these instruments. None of the financial instruments are held for trading purposes.

Cash

Cash, for purposes of the statement of cash flows, consists of cash on hand, demand deposit and savings accounts. The School typically maintains cash in banks that may, at times, exceed FDIC insured limits of $250,000. Management believes the risk is minimal.

Receivables

The receivables are stated at the amount management expects to collect. Management considers these amounts to be collectible; therefore, no allowance has been recorded. At June 30, 2015, the School had no receivables outstanding for longer than 90 days.

Property

Property is recorded at cost. Depreciation is recorded using the straight-line method over the estimated useful life of the asset. Expenditures for maintenance, repairs and minor renewals are expensed as incurred.

Deferred revenue

The School received a $400,000 contribution during the year ended June 30, 2015. The contribution was contingent upon construction of a new school complex to begin no later than October 2015. Since construction began in the fall of 2015, the deferred revenue will be recognized in the 2016 fiscal year.

Functional expenses

The School allocates its expenses on a functional basis among its various programs.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax-exempt status

The School is a non-profit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The School's open audit periods are 2013 through 2015.

Paid time off

The School's policy states that employees earn up to ten days of vacation and sick leave during the fiscal year and can carry over up to fifteen days into the subsequent fiscal year.

Subsequent events

The School commenced construction for the new campus consistent with the contribution terms.

The School has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through the date of the independent auditors' report, which was the date the financial statements were available to be issued.

NOTE 2 - PROPERTY

Equipment, related service lives, and accumulated depreciation at June 30, 2015 were as follows:

	Estimated Service Lives	2015
Land	-	$ 1,228,800
Software in development	-	75,000
Equipment	3	80,233
Furniture and fixtures	5	45,280
Leasehold improvements	3	1,250
		1,430,563
Less accumulated depreciation		(62,942)
		$ 1,367,621

Depreciation expense was $33,763 for the year ended June 30, 2015.

NOTE 3 - LINE OF CREDIT

The School has a revolving line of credit at the *Wall Street Journal* prime interest rate plus 0.50% (3.75% at June 30, 2015) with a borrowing limit of $100,000 as of June 30, 2015. The outstanding balance of the line of credit was $50,000 at June 30, 2015.

The operating line of credit is payable on demand, matures on January 22, 2016 and is secured by the School's accounts receivable, equipment, general intangibles, and fixtures.

NOTE 4 - NOTE PAYABLE

In August 2014, the School entered into a $300,000 note payable at the *Wall Street Journal* prime rate plus 1.50% (4.75% at June 30, 2015). The note balance is due on demand and is secured by property and pledge receivables. If no demand is made by the lending institution, interest only payments of $5,636 were required through March 2015 until final payment of $278,715. The loan was originally due to mature in August 2015 but was extended for two months.

NOTE 5 - RETIREMENT PLAN

The School sponsors a savings incentive match plan (SIMPLE) IRA plan. The plan covers substantially all employees of the School immediately upon employment. Employees may defer up to the $12,500 in 2015 with the ability to defer an additional, catch-up contribution of $3,000 for employees aged 50 and older. The School matches 100% of the employee's elective contribution to the retirement plan, not to exceed 3% of the employee's compensation. Employees are 100% vested upon enrollment. Employer contributions were approximately $15,600 for 2015.

NOTE 6 - LEASES

The School has entered into a lease agreement for school and dormitory space at a rental rate of $1.11 per square foot, with a base amount of $32,580 per month, including utilities. Total rental expense under this lease for the year ended June 30, 2015, was $390,965. The lease expired on June 30, 2015, and has been extended for an additional ten month period.

NOTE 7 - CONCENTRATIONS

The School receives its operating revenue from private foundations and individuals as well as grants from the State of Louisiana, East Baton Rouge Parish School System, and from federal agencies. The percentage of revenue and receivables from these sources is as follows:

	Revenues	Receivables
State and local grants	39%	27%
Contributions from private foundations and individuals	28%	-
Minimum Foundation Program	29%	39%
Federal grants	4%	34%
Total	100%	100%

NOTE 8 - RELATED PARTY

Thrive Foundation (the Foundation), a 501(c)(3) entity, was established in October 2013 to support the School. The School did not receive any support from the Foundation for the year ended June 30, 2015; however, the School loaned the Foundation $500,100 of privately raised funds, interest free, for expenses related to the initial architecture and other expenses related to the construction of the new facility. The intent is for the Foundation to construct and own the new facility and the School will rent the facility.

SUPPLEMENTARY INFORMATION

THRIVE BATON ROUGE
Baton Rouge, Louisiana

SCHEDULE OF FUNCTIONAL EXPENSES

For the year ended June 30, 2015
(with compartive amounts for 2014)

	Function				Total	
	School Activities		Food Service	General and		
	Instructional	Residential	Admin.	Admin.	2015	2014
Salaries and wages	$ 614,698	$ 460,406	$ -	$ 116,866	$ 1,191,970	$ 478,973
Rent and utilities	100,525	290,440	-	-	390,965	253,812
Student meals	73,567	49,535	209,749	-	332,851	81,508
Consultants	4,492	72,446	-	40,166	117,104	230,106
Materials and supplies	45,248	17,179	-	18,162	80,589	25,207
Interest	9,469	13,487	-	-	22,956	10,452
Insurance	14,628	23,486	-	1,351	39,465	29,284
Student transportation	21,793	15,298	-	-	37,091	28,959
Depreciation	20,027	13,736	-	-	33,763	22,556
EBRPS administrative fee	17,790	-	-	-	17,790	10,981
Security	1,078	13,491	-	-	14,569	1,486
Repairs and maintenance	6,537	7,965	-	-	14,502	13,181
Cell phones	1,221	10,726	-	-	11,947	40,894
Development	4,588	2,877	-	-	7,465	2,322
Fundraising	-	-	-	4,591	4,591	-
Recruiting	617	372	-	-	989	380
Other	4,265	4,198	-	5,228	13,691	4,798
Total expenses	$ 940,543	$ 995,642	$ 209,749	$ 186,364	$ 2,332,298	$ 1,234,899

See Independent Auditors' Report

THRIVE BATON ROUGE

Baton Rouge, Louisiana

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO AGENCY HEAD

June 30, 2015

Agency Head: Sarah Broome

Purpose		Amount
Salary	$	72,685
Reimbursements		0
Travel		0
Benefits - insurance		5,211
Phone		0
Registration fees		0
Special meals		0
Meeting Reimbursements		0
Benefits - retirement		2,100
Car allowance		0
Vehicle provided by government		0
Per diem		0
Continuing professional education fees		0
Housing		0
Unvouchered expenses		0
	$	79,996

See Independent Auditors' Report.

Special Independent Auditors' Report

THRIVE BATON ROUGE
Baton Rouge, Louisiana

June 30, 2015

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Thrive Baton Rouge
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of **THRIVE BATON ROUGE** (the School) (a non-profit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 29, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weakness. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended for the information of the Board of Directors, management, state and federal granting agencies, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Faulk & Winkler, LLC

Certified Public Accountants

Baton Rouge, Louisiana
December 29, 2015

THRIVE BATON ROUGE
Baton Rouge, Louisiana

SCHEDULE OF FINDINGS AND RESPONSES

For the year ended June 30, 2015

1) **Summary of Audit Results:**

   a) The type of report issued on the basic financial statements: **Unqualified opinion.**

   b) Significant deficiencies in internal control disclosed by the audit of financial Statements: **None.**

      Material weaknesses: **None.**

   c) Noncompliance which is material to the basic financial statements: **None.**

   d) Findings relating to the financial statements reported in accordance with *Government Auditing Standards*: **None.**

2) **Findings - Financial Statement Audit:**

   There were no current year findings.

THRIVE BATON ROUGE
Baton Rouge, Louisiana

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

For the year ended June 30, 2015

2014-1 Credit Card Usage

This finding is considered resolved.